

IDEA Third Party Grant Arrangements

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General Information

IDEA Subgrantees

The U. S. Department of Education grants Individuals with Disabilities Education Act (IDEA) funds to the State of Wisconsin. In turn, the Department of Public Instruction (DPI) subgrants IDEA entitlement funds to approximately 440 subgrantee local educational agencies (LEAs). The funds are used to ensure children with disabilities have free appropriate public education (FAPE) required under the IDEA.

Under the IDEA, a subgrantee is responsible for providing FAPE to children with disabilities within its jurisdiction and ensuring funds are expended in accordance with the applicable provisions of IDEA. An LEA is responsible for meeting the provisions in 34 CFR §§ 300.200 through 300.213, which include maintenance of local fiscal effort and supplement/non-supplant requirements. [*Letter to Hokenson*, Patricia J. Guard, Acting Director, Office of Special Education Programs, U.S. Department of Education, February 4, 2009, 53 IDELR 58323]. In Wisconsin, only school districts, independent (2r) charter schools, the Wisconsin Department of Corrections, and the Wisconsin Department of Health Services are required to provide FAPE to children with disabilities and to meet the requirements cited above. Therefore, in Wisconsin the DPI subgrants IDEA entitlement funds only to these agencies.

Neither IDEA nor federal Education Department General Administrative Regulations (EDGAR) authorizes a subgrantee to further subgrant funds to other entities [*Letter to Hokenson*]. Therefore, school districts and other subgrantees may not further subgrant IDEA funds to Cooperative Educational Service Agencies (CESAs) or other entities. However, the DPI's policy permits subgrantees to use Cooperative Educational Service Agencies (CESAs) and County Children with Disability Education Boards (CCDEBs) as third party administrators with respect to programs administered by the DPI and funded by a variety of public and private sources, including the IDEA.

Grant Applications

Before LEAs may encumber IDEA funds, subgrant applications must be submitted to the DPI in "substantially approvable form." In order for an application to be in substantially approvable form, grant budgets and written assurances must be submitted. The assurances state LEAs will observe all applicable state and federal requirements. The standard assurance is found at <http://dpi.wi.gov/forms/doc/f3201-assurances.doc>. The assurance for independent (2r) charter schools is found at <http://dpi.wi.gov/forms/doc/f3201-assurances-2r.doc>. IDEA grant assurances, signed by LEA chief administrative officers, are due annually by July 1.

IDEA flow-through and preschool grant budgets are due annually by July 1. Budgets are completed on a web-based application accessed through the special education portal at <https://www2.dpi.state.wi.us/seportal/Pages/SignIn.aspx>. LEAs must have IDEA budgets on file with the DPI. In addition, third party administrators must file informational IDEA budgets detailing their planned expenditures on behalf of school districts.

Contracts

While LEAs may not subgrant all or a portion of their IDEA allocations, LEAs may purchase services with IDEA funds, including administration of grants, through valid written contracts. CESAs are authorized under state law to enter into contracts with school districts and other agencies and organizations that provide services to pupils. [§116.032(1), Wis. Stats.]. CESAs may not assess a cost against an LEA for a cooperative program unless the LEA enters into a contract for the service. [§116.03(4)] LEAs that use the services of CESAs or other entities to provide IDEA-funded services must do so through written contracts that include the IDEA-funded services.

Written contracts between LEAs and CESAs or other entities are necessary to establish financial relationships, ensure accountability, and to document LEAs are not engaging in subgranting of IDEA funds. Contracts should establish clear expectations and permit monitoring of contract performance by LEAs and fiscal monitoring by the DPI. Therefore, it is essential contracts describe the specific services offered and the terms in sufficient detail to permit LEAs to administer contracts and the DPI to monitor grant requirements. Contracts should include the specific programs purchased and how participating agencies' costs are determined. Federal regulations require the inclusion of certain provisions in subgrantees' contracts. [34 CFR §80.36(i)] Regulations governing subgrantee procurement, including required contract provisions, may be found at http://edocket.access.gpo.gov/cfr_2004/julqtr/pdf/34cfr80.36.pdf.

LEAs should not enter into contracts and use IDEA funds for items not allowed under the IDEA and White House Office of Management and Budget (OMB) guidelines. For each kind of organization, there is a set of federal principles for determining allowable costs. For contracts with-

- State, local, or Indian tribal governments use White House Office of Management and Budget (OMB) Circular A-87. [White House Office of Management and Budget \(OMB\) Circular A-87](#)
- Private nonprofit organizations other than an institution of higher education, a hospital, or an organization named in OMB Circular A-122 as not subject to OMB A-122 use OMB Circular A-122. [OMB Circular A-122](#)
- Educational institutions use OMB Circular A-21. [OMB Circular A-21](#)
- For-profit organizations, other than hospitals, use 48 CFR § 31.2, Contracts with Commercial Organizations. [48 CFR § 31.2, Contracts with Commercial Organizations](#)

[34 CFR §§ 80.22 and 80.36 (f)(3)]

Costs must be adequately documented to be allowed. [OMB Circular A-87, §C.1(j)] Invoices should contain sufficient detail to allow the LEA to determine whether the commodities or services have been provided. Professional and consultant services by members of a particular profession who are not officers of or employed by the LEA are IDEA-allowable costs when there is an adequate contractual agreement for the service, e.g., description of the service, estimate of time required, rate of compensation, and termination provisions. [OMB Circular A-87, Attachment B, §32]

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LEAs are responsible for ensuring all applicable state and federal requirements are observed. As subgrantees, LEAs are responsible for any harm done to a federal interest in the administration of IDEA entitlement and preschool funds, whether the harm occurred because of the acts of an LEA or the acts of a CESA or other entity acting on behalf of the LEA under a contract. LEAs should ensure provisions requiring CESAs and other entities to observe all applicable state and federal requirements are included in their contracts.

CESAs and other entities must make available to LEAs records demonstrating compliance with applicable requirements. Federal regulations require an LEA's contracts to include a provision ensuring access by the DPI, the LEA, the U.S. Department of Education, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor for the purpose of audit, examination, or taking excerpts and making transcriptions. [34 CFR §80.36(i)(10)] The regulations require contracts to include a provision ensuring retention of all required records for three years after the LEA makes final payments and all other pending matters are closed. [34 CFR §80.36(i)(11)]

Accounting

Communication between entities is very important, especially in third party grant administrator arrangements. Initial communication starts, but does not end, with the written contract and the IDEA budget application. Communication on how IDEA dollars are being spent also ensures appropriate activities are being funded by the grant, claims and reports are being filed in a timely fashion, and parties to the arrangement are properly accounting for activities on their ledgers.

The arrangement may contain several delivery methods. In some instances the LEA (subgrantee) will purchase an item or incur a cost and the third party grant administrator will file a claim with DPI. At other times, the third party grant administrator makes the purchase on behalf of the LEA, the LEA reimburses the third party grant administrator, and the third party grant administrator files the claim with DPI. In both instances, it is the LEA that receives reimbursement directly from DPI.

Third Party Grant Administrator Purchasing on behalf of LEA (Subgrantee)

The third party grant administrator will make a purchase on behalf of the LEA and will bill the LEA for that purchase. The LEA will pay the third party grant administrator and the third party grant administrator will file a claim with DPI. The LEA will receive the IDEA reimbursement from DPI. If the third party grant administrator purchases equipment on behalf of an LEA, the equipment will need to be tracked on the LEA's fixed assets list.

Transaction 1: The third party grant administrator incurs a cost (i.e. salaries; special classroom supplies) for the program that is part of the arrangement and bills the LEA for the cost.

Third party grant administrator ledger:

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Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Expenditure	XXXXXX (appropriate for expenditure)	XXX (appropriate for expenditure)	317	\$X,XXX.	
27	Cash					\$X,XXX.

Transaction 2: The LEA pays the third party grant administrator for the purchase the third party grant administrator made on behalf of the LEA.

LEA ledger:

Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Expenditure	436000/2XXXXX (appropriate for expenditure)	386 CESA or 383 CCDEB (appropriate for expenditure)	34X (appropriate for grant)	\$X,XXX.	
27	Cash					\$X,XXX.

Transaction 3: The third party grant administrator receives reimbursement of original cost from LEA. After LEA makes payment, third party grant administrator can file claim to DPI on behalf of LEA.

Third party grant administrator ledger:

Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Cash				\$X,XXX.	
27	Revenue		317			\$X,XXX.

Transaction 4: After the third party grant administrator submits a claim to DPI on behalf of the LEA, the LEA receives the IDEA reimbursement directly from DPI for the cost incurred above.

LEA ledger:

Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Cash				\$X,XXX.	
27	Revenue		730			\$X,XXX.

LEA (Subgrantee) Purchasing with Third Party Grant Administrator Reimbursing

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The LEA incurs and pays for a grant cost. The third party grant administrator receives a request from a participating LEA to enter a claim into the IDEA software at DPI for those costs incurred and paid by the LEA. The LEA will receive the payment directly from DPI.

The following transactions are recorded on the LEA general ledger as the transaction occurs:

Transaction 1: LEA (subgrantee) incurs and pays for a grant cost. The LEA provides the third party grant administrator with the appropriate documentation and the third party grant administrator files a claim with DPI on behalf of the LEA.

LEA ledger:

Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Expenditure	XXXXXX (appropriate for expenditure)	XXX (appropriate for expenditure)	34X (appropriate for grant)	\$X,XXX.	
27	Cash					\$X,XXX.

Transaction 2: LEA receives the reimbursement from DPI for the IDEA grant for cost incurred above.

LEA ledger:

Fund	Account	Function	Source/Object	Project	Debit	Credit
27	Cash				\$X,XXX.	
27	Revenue		730			\$X,XXX.

There are no transactions recorded on the third party grant administrator's general ledger when the LEA has expenditures in which they incur and pay.

Reporting

Grant Payments In (GPI) or Grant Payments Out (GPO) are recorded on the PI-1505 Special Education Annual Report (PI 1505 SE) in order to ensure that participating LEAs and third party grant administrators are not paid both federal and state categorical aid for the same expense. Since the grant reimbursements are paid directly to the LEA from DPI, there is no need to include these direct payments in Grant Payments In (GPI) or Grant Payments Out (GPO).

However, if the third party grant administrator incurs the original cost and bills the LEA for the purchase, the GPI and GPO will be recorded for the expenditure of the LEA paying the third party grant administrator. This transaction is reflected in Transaction 2 of the "Third Party Grant Administrator Purchasing on behalf of the LEA (Subgrantee) section above. To report a grant payment paid to another entity, the paying entity (LEA) should:

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- report the total amount paid in required account GPO.000000.000.000;
- complete the “Special Education Grant Payments Sent to Other Entities” addendum.

To report a grant payment received from another entity, the receiving entity (third party grant administrator) should:

- report the total amount received in required account GPI.000000.000.000;
- complete the “Special Education Grant Payments Received from Other Entities” addendum;
- complete the “Grant Payment Received Expenditure Breakdown” addendum.

The amount reported as paid and received between the participating LEAs and the third party grant administrator should agree. A report titled “Reconcile Grant Payments” is available in the PI-1505SE Report, specifically in the link titled “Financial Data Reports.” This report will display the amount recorded by the paying and receiving entity. If the amounts differ, the participating LEAs and the third party grant administrator will need to communicate, determine which amount is correct, and amend the report as necessary.

Example for recording GPI and GPO:

CESA incurred an expense for \$75,000 that is intended to be claimed on the District’s IDEA grant. The CESA will bill the District for the cost. The District will make payment to the CESA. The CESA will have all the necessary documentation to submit a grant claim to DPI on behalf of the District. DPI will pay the reimbursement directly to the District.

CESA - Payment to Vendor and Cash Received From District:

- Original Expenditure \$75,000 – Debit to Expenditure, project 317, Credit to Cash
- Payment from District \$75,000 (**GPI**) – Debit to Cash, Credit to Revenue, source 317

District - Receipt from DPI and Cash Payment To CESA and receipt from DPI:

- \$75,000 (**GPO**) Debit to Expenditure, object 386, project 340
- \$75,000 received from DPI - Credit to Revenue, function 500000, source 730

Auditing

Under § 120.14(1), Wis. Stats., at the close of each fiscal year, the school board of each school district must employ a licensed accountant to audit the school district accounts and certify the audit. The audits are performed in accordance with all applicable federal laws and regulations and Wisconsin statutes and administrative rules. Compliance regarding Individuals with Disabilities Education Act (IDEA) is required per the OMB Circular A-133. Auditors are required to use the Circular in determining the compliance requirements that could have a direct and material effect on the program. The district is the subgrantee of the funds and therefore, it is at the district level that the audit of IDEA funds takes place. The third party grant administrator is treated as a vendor for audit purposes.

Under OMB Circular A-133, the auditor determines 1) whether the district is required to have a federal single audit 2) which programs are major and will be tested. For districts with a required federal single audit, there is potential that IDEA funds will be selected for testing in any given year. To assist the audit process, the district should have available for the auditor, the contract and statements or invoices received from the third party grant administrator. These documents will provide detail of the services received and paid for. From the detail, auditors will be able to determine whether compliance requirements are met including whether the costs are allowed costs under the IDEA grant.

IDEA Fiscal Monitoring

Federal regulations require a grantee, such as the DPI, to monitor subgrant supported activities carried out by subgrantee LEAs to assure compliance with applicable federal requirements. [34 CFR §80.40(a)] Under Office of Management and Budget Circular A-133 §___400(d)(3), a pass-through entity, such as the DPI, must monitor the activities of subrecipient LEAs as necessary to ensure federal awards are used in compliance with laws and regulations. A state must have procedures for evaluating projects and for performing administrative responsibilities necessary to ensure compliance. [34 CFR §76.770]

In order to improve its monitoring of IDEA subrecipients, the DPI will implement a risk-based fiscal monitoring component as part of its fiscal accountability system to ensure eligibility of LEAs for IDEA subgrants and to ensure subgrants are administered in compliance with IDEA fiscal requirement, Education General Administrative Regulations (EDGAR), and other federal requirements for grants.

Risk-based fiscal monitoring will include examining LEAs and contracted services provided by CESAs or other entities on behalf of LEAs. IDEA-funded services provided under contracts between LEAs and CESAs and other entities must be fully documented. LEAs must make available records required for the DPI to perform IDEA fiscal monitoring, whether such records were created by an LEA or a CESA or another entity under a contract with the LEA.

Requirements included in risk-based fiscal monitoring have been selected from the “Fiscal Systems” section of the *Critical Elements Analysis Guide* (CrEAG), developed by the Office of Special Education Programs (OSEP), U.S. Department of Education, and other sources including Office of Management and Budget Circulars and Education Department General Administrative Regulations. Items were selected from the CrEAG after an analysis of Wisconsin’s fiscal accountability system revealed improvement was needed in monitoring subgrantee performance in some areas. Other requirements considered at risk of noncompliance, based upon information gathered in the day-to-day administration of IDEA subgrants, have been included in the fiscal monitoring component.

The requirements monitored in fiscal monitoring fall into nine topical areas: equitable services set-aside for parentally placed private school students with disabilities; IDEA’s excess cost

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requirement; use of funds in Elementary and Secondary Education Act (ESEA) Title I school-wide programs; charter school funding; coordinated early intervening services (CEIS); obligation and use of funds; property management; and documentation of personnel time and effort. The DPI may modify the content of an LEA's monitoring to include other potential issues identified by the DPI special education and school finance teams. Sources of information include: Single Audit reports; state IDEA complaints; LEA fiscal reports; results of previous compliance monitoring; the LEA's Special Education Local Performance Plan under § 115.77(4), Wis. Stats.; LEA policies submitted for WDPI review; and statewide issues identified by the Office of Special Education Programs, U.S. Department of Education.

If the DPI determines through fiscal monitoring an LEA or a CESA or other entity acting on the LEA's behalf materially failed to comply with any term of the IDEA award, federal regulations authorize the DPI to take one or more of the following actions, as appropriate in the circumstances:

- Temporarily withhold cash payments pending correction of the deficiency by the LEA or more severe enforcement action;
- Disallow all or part of the cost of the activity or action not in compliance;
- Wholly or partly suspend or terminate the current IDEA award for the LEA;
- Withhold further IDEA awards; or
- Take other remedies that may be legally available.

[34 CFR §80.43(a)]

If an unallowable expenditure of IDEA funds was made by an LEA or third party administrator on the LEA's behalf, or funds are not properly accounted for, the DPI must return to the U.S. Department of Education an amount proportional to the extent of the harm caused to an identifiable federal interest associated with IDEA award. The DPI in turn will recover the amount from the LEA. An identifiable interest includes, but is not limited to, the following:

- Serving only eligible beneficiaries;
- Providing only authorized services or benefits;
- Complying with expenditure requirements and conditions, such as set-aside, excess cost; maintenance of effort, comparability, and supplement-not-supplant requirements;
- Preserving the integrity of planning, application, recordkeeping, and reporting requirements;
- Maintaining accountability for the use of funds.

[34 CFR §81.32(a)]

In taking an enforcement action, the DPI will provide the LEA an opportunity for a hearing, appeal, or other administrative proceeding to which the LEA is entitled under any statute or regulation applicable to the action involved. A final determination about an LEA's eligibility for IDEA funds will be made only after giving the LEA reasonable notice and an opportunity for a hearing under 34 CFR §76.401(d). If an LEA's award is suspended or terminated, costs will be allowed in accordance with 34 CFR §80.43(b).

Contacts

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Accounting, Reporting and Auditing

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Terminology

CESA – Cooperative Educational Service Agency. Twelve public regional agencies created under chapter 116, Wis. Stats., serve educational needs in all areas of Wisconsin by serving as a link both between school districts and between school districts and the state.

CCDEB – County Children with Disabilities Education Board. A board established by a county board of supervisors under § 115.817, Wis. Stats., to provide for one or more special schools, classes, treatment, or instruction centers for children with disabilities.

EDGAR – Education Department General Administrative Regulations (EDGAR) establishes cross-cutting rules that apply to all ED programs unless the program is exempt by statute or regulations. These rules cover such issues as application procedures, financial administration, property management, record retention, program oversight, among others.

IDEA – Individuals with Disabilities Education Act. The IDEA is the federal special education statute, which guarantees a free appropriate public education to children with disabilities; ensures the right of children with disabilities and their parents are protected; provides financial assistance to states, localities, educational service agencies, and Federal agencies; and assesses and ensures the effectiveness of efforts to educate children with disabilities.

LEA – Local Educational Agency. In Wisconsin local educational agencies are school districts, independent (2r) charter schools, the Wisconsin Department of Health Services, and the Wisconsin Department of Corrections.

OMB – Office of Management and Budget (OMB) is the largest component of the Executive Office of the President and reports directly to the President. OMB provides circulars that establish government-wide standards for specific issues such as allowable cost (A-21, A-87, A-122) or audits (A-133) of federal programs.

OSEP – Office of Special Education Program. The office in the U.S. Department of Education that is responsible for administering the IDEA.

Third Party Grant Administrator - employed contractually by an LEA to provide certain services. The services provided by a third party administrator can be varied. For purposes of this document, third party grant administrator refers to a cooperative educational service agency (CESA) or county childrens disabilities educational board (CCDEB).